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GENERAL



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

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STATE AUDITOR'S
REPORT ON THE ACTIVITIES
OF THE
SOUTHERN BERKSHIRE DIVISION -
DISTRICT COURT DEPARTMENT
JULY 1, 1986 TO MARCH 31, 1987

OFFICIAL AUDIT REPORT

OCT - 7 1987

ISSUED BY THE
Department of the State Auditor

GENERAL

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The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

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A JOSEPH DENUCCI
AUDITOR

AUDITOR'S TRANSMITTAL LETTER

Honorable Robert J. Donelan, First Justice
Southern Berkshire Division - District Court Department
9 Gilmore Avenue
Great Barrington, Massachusetts 01230

Dear First Justice Donelan:

We have completed a review of the financial activities of the Southern Berkshire Division - District Court Department for the period July 1, 1986 to March 31, 1987, as listed in the Table of Contents.

The purpose of our review was to determine whether the court's accounting and operating procedures are being executed in accordance with the basis of accounting prescribed by the Commonwealth of Massachusetts. As described in the Notes to Financial Activity, No. 1, this basis differs in certain respects from generally accepted accounting principles. Accordingly, the financial activities referred to in the first paragraph are not intended to present the court's financial activities in conformity with generally accepted accounting principles.

Our review consisted of the following procedures:

1. Study and evaluation of internal accounting controls to assist us in determining the nature, timing, and extent of our review procedures, as well as to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. For the purpose of our review, we have classified the significant internal accounting controls in the following categories:
 - a. Cash receipts and disbursements
 - b. Expenditures under appropriation
 - c. Payroll
 - d. Inventory and equipment

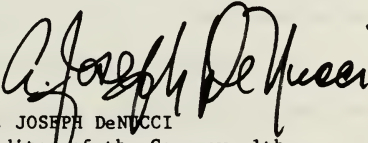
Our study and evaluation included all of the control categories listed above. _

2. Review of the financial records and transactions to evaluate their completeness, accuracy, and conformance with the Commonwealth's basis of accounting.
3. Other review procedures, including tests for the court's compliance with applicable laws and regulations that may have a material effect on the status of financial activity.

As a result of our review and in an effort to be of assistance to management, we are submitting comments and recommendations (see Audit Results section, page 3) relating to the court's financial activities that we observed during the course of our engagement.

The accompanying supplementary schedules are presented for purposes of additional analysis. Such information has been subjected to the same auditing procedures applied during our review of the basic financial activity, and our review revealed nothing that caused us to believe that any improprieties existed.

June 12, 1987


A. JOSEPH DeNUCCI
Auditor of the Commonwealth

AUDIT RESULTS

MMARS Implementation Deficiencies

During the period under review, the Commonwealth implemented a new computerized management accounting and reporting system (MMARS). Our review of the court's financial activity, which included a review of MMARS implementation procedures, showed that the court (a) had not modified its accounting and reporting system to conform to MMARS and (b) was not reconciling its accounts to MMARS reports as required by the Office of the Comptroller.

Section 7.6 of the MMARS procedures manual requires state agencies to reconcile their own appropriation accounts to MMARS reports on a monthly basis. These reconciliations are designed to provide controls to safeguard the resources for which each agency is responsible. To facilitate the reconciliation process, agencies should disclose in their records the information contained in MMARS reports. This information is organized according to the following concepts: Obligation Ceiling, Expenditure Ceiling, Pre-Encumbrances, Encumbrances, Advances, Uncommitted Balance, and Unexpended Balance.

Court personnel had been posting allocation and expenditure transactions to old, manually prepared subsidiary appropriation control records. As an off-line department without automated or electronic data processing resources, the court should have been manually preparing appropriation control records to reflect the new accounting concepts in MMARS, which are listed above. By conforming to MMARS, the court would not only facilitate the required reconciliations, but also prepare its staff for future conversion to an automated system.

Our staff interviewed court personnel who stated that they had not received enough advanced training to implement all of the features of the MMARS program. Additionally, certain printed Comptroller's reports necessary for proper reconciliations have not been forwarded regularly to the court by

either the Trial Court's Administration Division or the Office of the Comptroller.

While the audit was in progress, court personnel were receiving additional training for updating the court's accounting system.

Recommendation: The court should modify its records to conform to MMARS, as required by the Office of the Comptroller. The manual records maintained by the court should reflect the court's financial activity in a format easily reconcilable to Comptroller's records.

STATUS OF FINANCIAL ACTIVITY

Status of Expenditures under Appropriation

July 1, 1986 to March 31, 1987

Appropriation
Account No. 0332-1500

SUBSIDIARY CLASSIFICATION	OBLIGATION CEILING	EXPENDITURE CEILING	PRE- ENCUMBRANCES	ENCUMBRANCES	EXPENDITURES	ADVANCES	UNCOMMITTED BALANCE	UNEXPENDED BALANCE
Salaries - Permanent	\$232,119	\$232,119	-	-	\$170,063	-	\$62,056	\$62,056
Food for Persons	206	206	-	-	-	-	206	206
Maintenance - Repairs, Replace- ments, and Alterations	2,250	2,250	-	-	58	-	2,192	2,192
Office and Administrative Expenses	28,230	28,230	-	\$11,759	13,110	\$9,150	3,361	5,970
Rentals	5,180	5,180	-	2,193	2,987	-	-	2,193
TOTALS	<u>\$267,985</u>	<u>\$267,985</u>	<u>-</u>	<u>\$13,952</u>	<u>\$186,218</u>	<u>\$9,150</u>	<u>\$67,815</u>	<u>\$72,617</u>

The accompanying notes are an integral
part of the status of financial activity.

Status of Receipts Account of Income

July 1, 1986 to March 31, 1987

<u>REVENUE CLASSIFICATION</u>	<u>ACTUAL RECEIVED</u>	<u>TOTAL ESTIMATE</u>	<u>DIFFERENCE</u>
General Court Revenue	<u>\$58,357</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part
of the status of financial activity.

NOTES TO FINANCIAL ACTIVITY

1. Significant Accounting Policies

According to Chapter 7A, Section 7, of the General Laws, as amended, the Office of the Comptroller is responsible for the Commonwealth's accounting system. The Comptroller establishes and maintains funds as authorized or mandated by the various provisions of the General Laws. The State Treasurer, a constitutional officer, has custody of and manages the Commonwealth's cash and investments.

The financial statements in this report refer to specific accounts within the Commonwealth's fund structure. The Southern Berkshire Division - District Court Department is required to follow the accounting and financial reporting policies prescribed by the Commonwealth. These policies differ in certain respects from generally accepted accounting principles as applicable to governmental units. The following is a summary of the Commonwealth's significant policies as they pertain to the Southern Berkshire Division - District Court Department.

Basis of Accounting: The Southern Berkshire Division - District Court Department uses a limited accrual basis of accounting. Receipts are recognized when received, and disbursements, with the exception of year-end encumbrances, are recorded on a cash basis. At the close of the fiscal year, all encumbrances (expenditure commitments) against maintenance appropriation accounts are recorded as expenditures. The State Comptroller considers these encumbrances as accounts payable, which, if not expended, will revert to the Commonwealth on December 31.

The Commonwealth's accounting system requires state agencies to expense, rather than capitalize, purchases of fixed assets.

2. Encumbrances Outstanding

The Commonwealth's present encumbrance system requires that all predictable obligations, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded, must be encumbered (reserved) by the spending agency and recorded on the records of the Comptroller. This encumbrance feature allows a spending agency to effectively plan the utilization of available funds, as well as to control the expenditure of obligated funds. As of March 31, 1987, the court had encumbrances outstanding totalling \$13,952. Because encumbrances are an extension of the budgetary process, they do not constitute liabilities or expenditures. Therefore, the above total should not be recognized or construed as liabilities or expenditures to the court at this time (see Note No. 1).

3. Massachusetts Management Accounting and Reporting System (MMARS) Terminology

As a result of the new Massachusetts Management Accounting and Reporting System (MMARS), certain terminology has changed on financial reports. The following terms are used on the Status of Expenditures under Appropriation report:

- o Obligation Ceiling: Total appropriation for agency
- o Expenditure Ceiling: Total allotment of obligation ceiling to date
- o Pre-Encumbrances: Amount reserved for "03" and "07" service contracts, purchase of EDP services, and purchase of EDP goods or a goods/service package
- o Encumbrances: Amounts reserved for all other expenditures that are not initially pre-encumbered
- o Expenditures: Amount of Expenditure Ceiling actually spent on goods and services
- o Advances: Amount available for expenditure prior to detailed vendor and expense information being known

- o Uncommitted Balance: Obligation Ceiling minus Pre-Encumbrances, Encumbrances, and Expenditures
- o Unexpended Balance: Expenditure Ceiling minus Expenditures and Advances

4. Variances between MMARS Reports and Actual Revenues and Expenditures

The financial data appearing on the Status of Receipts Account of Income were compiled from the court's records because MMARS revenue reports were not available.

The Status of Expenditures under Appropriation is based on the MMARS Report 341A. Financial data appearing on this report differ from the court's records because the court failed to maintain the required MMARS financial records (see Audit Results).

5. Certain Unaudited Administrative Expenses

The Status of Expenditures under Appropriation does not include the following administrative expenses of the Southern Berkshire Division - District Court Department for the period July 1, 1986 to March 31 1987, which were paid from appropriations made available to the Trial Court of Massachusetts.

<u>Account Number</u>	<u>Title</u>	<u>July 1, 1986 to March 31, 1987</u>
0330-0400	"03" Consultant Expenses	\$1,645
0330-2600	Travel	586
0330-2700	Printing	264
0330-3000	Equipment	1,220

SUPPLEMENTARY SCHEDULES

Schedule No. IClerk-Magistrate's OfficeCash Receipts, Transfers, and Refunds

July 1, 1986 to March 31, 1987

	<u>Balance</u> <u>July 1, 1986</u>	<u>Receipts</u>	<u>Transfers</u> <u>and Refunds</u>	<u>Balance</u> <u>March 31, 1987</u>
Commonwealth Funds:				
Income	-	\$159,296	\$159,296**	-
Advance Monies	-	5,150	5,000#	\$ 150
Total Commonwealth Funds	-	<u>\$164,446</u>	<u>\$164,296</u>	<u>\$ 150</u>
Custodial Funds:				
Municipal Funds	-	\$148,933	\$148,933	-
Bail Funds	\$6,020	28,250	30,640	\$3,630
Massachusetts Turnpike Authority	-	55,871	55,871	-
Appeals	-	1,237	1,237	-
Total Custodial Funds	<u>\$6,020</u>	<u>\$234,291</u>	<u>\$236,681</u>	<u>\$3,630</u>
Total Commonwealth and Custodial Funds	<u>\$6,020</u>	<u>\$398,737</u>	<u>\$400,977</u>	<u>\$3,780*</u>
*Analysis of Balance:				
Cash in Bank:				
Checking:				
Berkshire Bank and Trust			\$6,685	
In Custody of State Treasurer:				
Bank of Boston			(2,905)	
			<u>\$3,780</u>	
**Transferred to State Treasurer:				
Court Income			\$ 58,357	
Highway Fund			72,603	
Marginally Indigent Fund			4,695	
Victim-Witness Assistance Fund			21,865	
Civil Action Surcharges			1,776	
			<u>\$159,296</u>	
#Analysis of Advance Monies:				
Local Cash Disbursements - Postage			<u>\$5,000</u>	

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Schedule No. IIProbation OfficeCash Receipts, Transfers, and Refunds

July 1, 1986 to March 31, 1987

	Balance July 1, 1986	Receipts	Transfers and Refunds	Balance March 31, 1987
Fines and Court Costs	\$ 7,205	\$ 49,884	\$ 47,044**	\$10,045
Restitution	8,352	38,915	34,993	12,274
Nonsupport	250	68,545	68,215	580
Victim-Witness Fees	164	7,382	7,355	191
Reciprocal Support	1,030	94,264	94,114	1,180
Commonwealth Driver Alcohol				
Education Program	335	15,165	14,785	715
	<u>\$17,336</u>	<u>\$274,155</u>	<u>\$266,506</u>	<u>\$24,985*</u>

*Analysis of Balance:

Cash in Bank:

Checking:

First Agricultural Bank

\$ 3,418

Lee National Bank

4,126

In Custody of State Treasurer:

Bank of Boston

17,441

\$24,985

**Transferred to the Clerk-Magistrate's Office for further processing.

SUPPLEMENTARY INFORMATION

Exit Conference

At the conclusion of this audit, a draft of this report was given to and reviewed by the Honorable Robert J. Donelan, First Justice; Louis A. Airoidi, Clerk-Magistrate; and Paul R. Collins, Chief Probation Officer.

ORGANIZATION

March 31, 1987

Chapter 478 of the Acts of 1978 reorganized the Commonwealth's judicial system by consolidating the administration of the various courts of trial jurisdiction.

The Chief Administrative Justice is the administrative head of all the departments of the Trial Court, and the Supreme Judicial Court has general superintendence over the entire judicial system.

As of March 31, 1987, the Supreme Judicial Court and the Southern Berkshire Division - District Court Department were organized as follows:

<u>Supreme Judicial Court:</u>	<u>Date of Appointment</u>
Chief Justice:	
Honorable Edward F. Hennessey	January 7, 1976
<u>Trial Court of Massachusetts:</u>	
<u>Office of the Chief Administrative Justice:</u>	
Chief Administrative Justice:	
Honorable Arthur M. Mason	August 11, 1978
Administrator of Courts for the Trial Court:	
Henry L. Barr, Esq.	October 4, 1978
Manager of Fiscal Affairs:	
John J. Morrissey	January 1, 1980
<u>District Court Department:</u>	
Administrative Justice:	
Honorable Samuel E. Zoll	July 1, 1978
Administrative Justice - Region V:	
Honorable Alphonse C. Turcotte	December 21, 1977
<u>Southern Berkshire Division:</u>	
First Justice:	
Honorable Robert J. Donelan	December 18, 1974
Clerk-Magistrate:	
Louis A. Airolidi	December 21, 1983
Chief Probation Officer:	
Paul R. Collins	November 1, 1979

The Southern Berkshire Division of the District Court Department is located in the court house on Main Street in the town of Lee, and on Gilmore Avenue in the town of Great Barrington; both towns are located in Berkshire County.

The Commonwealth makes annual rental payments to the town of Lee of \$4,160 for space used for the Lee court and annual rental payments of \$52,620 to the Berkshire Hills Regional School District for space used for the Great Barrington court.

The court processes criminal, civil and juvenile offenses for the towns of Alford, Egremont, Great Barrington, Lee, Monterey, Mount Washington, New Marlborough, Otis, Sandisfield, Sheffield, Stockbridge, Tyringham, and West Stockbridge and has concurrent jurisdiction with Central Berkshire District Court over Lenox and Becket. It also processes motor vehicle violations for the Massachusetts Turnpike Authority.

As required by Section 16 of Chapter 218 of the General Laws, as amended, the Clerk-Magistrate is bonded in the amount of \$5,000.

To protect the Commonwealth against possible losses and to take advantage of the savings possible through centralized procurement, the Office of the Chief Administrative Justice purchased a \$50,000 per loss blanket bond to cover all employees not required by law to be bonded.

